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ABSTRACT

The debate with regard to the relationship of the public and private sectors in higher education is increasingly, but necessarily, frantic. The present and future prospects of private as well as public higher education, are not subjects for easy generalization. It seems probable that we will be dealing with a smaller student market in the 1980's. There are steps that can be taken to insure that the process of adjustment is as orderly as possible and that the rules of the game are fair so that private institutions can effectively compete. Some steps are: (1) that the public and private sector not add further educational capacity without making sure that it will truly be needed in the long run; (2) private institutions be more adequately aided when they carry out public responsibilities; and (3) a far-sighted federal support policy for graduate and professional education. However, in the final analysis the answers to the problems of private institutions in the period ahead will be found in the institutions themselves. (Author/KE)

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REMARKS OF
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BEFORE THE 10TH ANNUAL CONFERENCE OF THE
SOCIETY FOR COLLEGE AND UNIVERSITY PLANNING
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In the May issue of The Atlantic, John R. Silber, President of Boston University, made the latest, but surely not the last, impassioned plea for a more supportive policy toward private higher education in the United States, a policy which can most easily be summed up as one of less public competition and more public funds.

President Silber makes some good points in his article, especially the case for fully utilizing private educational capacity before adding any further to public capacity. He also makes clear that the citizens of Massachusetts have hardly been well served, at least in an economic sense, by the development of a state owned medical school in the 1960s or the new Boston campus of the University of Massachusetts in the 1970s, when existing private institutions were able to meet those public needs. Considering that Massachusetts is one of only two jurisdictions in the nation where over one-half of all enrollments are private, especially in that state, it would seem reasonable to expect that public policy would be extremely sensitive to its impact upon private institutions, such as

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Boston University.

But if President Silber's article makes some telling points, in another sense, it is only of modest help in a national debate which like a stuck record, needs to be given a firm nudge. To this observer, the debate with regard to the relationship of the public and private sectors in higher education is increasingly, but unnecessarily frantic; in fact, in its emotional level this period can be compared to another time of panic in higher education - the period of extravagant statement which followed the launching of Sputnik in 1957.

As someone who earns his livelihood in the service of twenty-three private institutions, I am sympathetic to the needs of private colleges and universities, out of great conviction as well as perhaps a bit of necessity. I firmly believe we must develop attitudes and policies which will insure a diverse, healthy system of higher education. However, I am not convinced that the present state of the national dialogue is particularly helpful to our understanding of the problem, or its solution. Nor am I convinced that the private sector has made its case with any particular precision or skill. It is essentially to this subject that I would like to address myself this afternoon and in doing so, I would like to try to answer two questions. How bleak is the present state and future prospects of private higher education - especially in light of rigorous competition from lower priced public institutions?

What steps would help to ensure that private higher education enters the brave new world of the 1980s with its price structure reasonably competitive, its finances stable, and its educational integrity intact?

All of you have heard the basic argument of those who fear for the future of private higher education. Those of little faith usually point out that whereas public and private enrollments were roughly equal through the first five decades of this century, the private share has now shrunk to 22% and the end is not in sight. In the face of large public/private tuition differentials and a smaller student market, the Cassandras predict widespread closings of private institutions over the next decade with irreparable harm to our traditional dual system of higher education. They predict that this outcome is inevitable unless a public lifeline is thrown to private institutions in the form of direct institutional aid and/or substantial federal/state tuition offset programs.

Although this spectre is disturbing, I am not convinced that it is very compelling, or necessarily true. At a time when large portions of the public and private sectors of our society are becoming acquainted with wolves, and too often crying wolf as well, the fact that private education is in the woods and has also seen them is hardly noteworthy. From airlines to utilities, from home builders to Wall Street brokers, from New York City to a not inconsiderable number of states, there is a long and

growing list of groups and institutions, and public and private entities which are apprehensive about their future and which are making difficult adjustments - adjustments in many cases far more difficult and abrupt than those required on the campus.

There is plenty to be concerned about in higher education. I would suggest, however, that the Cassandras are not being particularly helpful and that private higher education in particular must do far more than cry wolf. As a beginning, we should attempt to get the facts straight, and deal with them, such as they are, in a more reasoned and less passionate way. I would submit that we know quite a bit about the present state of higher education and that in many cases, what we know differs quite a bit from the present mythology. Since mythology, as delightful as it is, is not particularly useful as a basis for making public policy, it might be useful if we first attempted to sort out a bit of the fact and fiction this afternoon.

It is true that the private share of national enrollments has dropped from one half in 1950 to less than one quarter today. However, it is also true that this change is completely a function of the extraordinary growth of the public sector and in no way is due to a diminution of the private sector. The absolute number of private institutions increased from approximately 1200 in 1950 to about 1500 today and over the period private enrollments increased from approximately 1.1 to 2.1 million students. Although some private institutions have closed or merged in the 1970s,

new ones have been established. In fact, according to Allan Ostar of the American Association of State Colleges and Universities in a recent letter to the New York Times, in 1973-74 alone, there was a net increase of nine four-year private institutions.

Although the private sector may lament the growth and growing competition of the public sector, it is usually not pointed out that a major part of that growth has come in areas in which the private sector has traditionally shown little interest - the two-year community college, and particularly non-degree credit and part-time enrollments. In fact, of the almost 10 million students enrolled in higher education in 1973, almost 4 million were in the non-degree credit and part-time categories, categories which the private sector, with some notable exceptions, has chosen to ignore.

Given the enormous capital investment required over the past twenty years to provide new educational capacity for the burgeoning student populations of the 1950s and 1960s, capital which the private sector could provide only to a limited degree, to this observer, it hardly makes sense to criticize the result of that effort - that today, there are more public enrollments, both absolutely and relatively. I would submit that the only thing worse for private education than having 22% of the national enrollment would be if the private sector had attempted to make the capital investment in new and expanded institutions and had

40% or 50% of total enrollments today. In that event, the process of adjustment to the circumstances of the 1980s would be many times as difficult for the private sector as it will be from its present base.

It is true that in the future there will be fewer students to go around. The number of 18 to 21 year olds will drop from over 16 million in 1980 to 13.1 million by 1990 compared to about 15.6 million today. However, that fact, in and of itself, is not particularly useful in predicting enrollments - especially at the level where it is critical - the individual institution. In every decade in this century, enrollment rates have played a larger role in the growth of total enrollments than population statistics themselves. As Lyman Glenny pointed out so well in his article in Change Magazine last winter, population trends and matriculation rates have and will vary widely by state, by region, and by type of institution between now and 1990, creating a wide diversity of outlooks for both public and private institutions.

The fact that there is no uniform fate for colleges and universities is particularly true when one considers the extent to which institutions of higher education, both public and private, are primarily local or regional institutions at the undergraduate level. Most institutions draw the bulk of their students from their local or state markets and even the most selective institutions with national student bodies typically draw about two-thirds of their students from no more than six states. All this is simply

to suggest that there is no single student market and no single institutional outlook in the period ahead. Whether one draws one's students primarily from New York state where post-secondary matriculation rates are already among the highest in the nation and where the number of high school graduates will drop by roughly one-third between now and 1990, or from those states where matriculation rates are low and the age 18-21 population will continue to grow throughout the next decade will make a very big difference.

Finally, and extremely importantly, I would point out that one out of every four private institutions in the nation can be found in New York, Pennsylvania, and California, and one out of every two in one of eight states. The well being of private higher education will be very much affected by what happens in a relatively few jurisdictions. The most recent study of the Carnegie Council, entitled Low Or No Tuition, shows that for the most part states with large private enrollments have not been unmindful of the impact of public tuitions and public policy in general upon private colleges and universities. The Council's research indicates that with the exception of Mr. Silber's Massachusetts, relatively high tuition levels in public institutions tend to be found in states with a relatively large proportion of total enrollments in private institutions. In 1973-74, in those states where private enrollments accounted for less than 10% of the total, undergraduate tuition and fees

at the public university averaged about $420, but in those states where private enrollments accounted for 40-49% of enrollments, tuition and fees at the public university averaged $950. This same relationship could be found with regard to tuition at public four year colleges. In addition, the Council showed that as a general rule those states with the highest private enrollments also tended to have the most extensive state grant programs, important beneficiaries of which are students at private institutions.

These few observations are simply to suggest that the present state and future prospects of private higher education, and public as well, are not subjects for easy generalization. If, as seems most probable, we will be dealing with a significantly smaller student market in the 1980s, there will be substantial adjustments to be made on both sides. But only if we try to get at the facts, in all their complexity, and look at them clearly, can we get on with the job of dealing with the important changes ahead. There are steps which can be taken to insure that the process of adjustment is as orderly as possible and that the rules of the game are fair so that private institutions can effectively compete. It is a far better policy to take some steps now to ensure that the competition for students is as fair as possible than be faced with bailouts under duress in the future. But what are those steps?

First, in my judgment, it is essential that the public sector especially, but the private sector as well, not add further

educational capacity without making sure that it will truly be needed in the long run. Educational enrollments nationally are expected to continue to rise, albeit moderately, through 1982 before leveling off and turning down, and as pointed out earlier, there will be wide variations from state to state and region to region. In many areas the horse is already out of the barn; in others there is still time to close the gate. But as long as we view capacity from the narrow viewpoint of the public and private sectors within each state, we will make the adjustment process unnecessarily difficult. To the extent that jurisdictions in need of educational capacity are willing to look beyond their borders and think flexibly with regard to their needs, the possibilities become quite interesting. If institutions have been willing to have campuses in foreign countries, why should we not consider campuses in neighboring states using existing public and private facilities?

In addition to limiting unnecessary capacity and competition, the area where public policy can be of greatest help to the private sector is student assistance. There are those who would further blur the distinction between public and private institutions by advocating general institutional aid to the private sector on the grounds, as President Silber has expressed it, that "There is no such thing as a private college or university." Of course, there is that fundamental difference which any institution worth its salt should prize above all else - the critical factor of control of the institution itself. Rather than enter the quicksand

of general institutional aid, I believe it would be far better, and simpler as well, if private institutions stayed on harder ground and were more adequately aided when they carry out public responsibilities and provide public services - and the best example of this is student assistance. The private sector has done a remarkable job since the late 1960s in enrolling disadvantaged and minority students. Although the Basic and Supplementary Grant programs, and in many cases state grant programs, have been of growing help in that effort, this resonsibility in the private sector has largely been met with private resources.

As the Basic Grant program moves toward its manifest destiny of serving four classes of undergraduates and being the foundation grant program in higher education, and as state grant programs proliferate, I believe that we need to reexamine the structure of federal, state, and institutional grant assistance. In a report released to the Congress about two months ago, the Consortium on Financing Higher Education attempted to do just that, particularly by forging a new relationship between Basic and Supplemental Grants.

It is worth noting that in the public sector, the average tuition at a two-year institution is approximately $300, and the average tuition at a four-year institution is approximately $600. Put differently, in the public sector, every student, regardless of need, receives a full grant above these tuition levels, and the mjaor financial probelm students face is the non-tuition costs of board and

room. As the Basic Grant program approaches full funding, and as there is growing support in the Congress and higher education to remove the one-half cost of attendance limitation under the program, there is the increasing prospect that where parental resources are insufficient, the Basic Grant program will cover the fundamental access costs which every student must meet. However, under present federal student assistance policies, public institutions will continue to receive approximately two-thirds of all Supplemental Grant funds, two-thirds of all College Work-Study funds, and 55% of National Direct Student Loan appropriations - all of which will be available to meet the relatively modest tuition related needs of students at public institutions. With the growth of federal and state grant resources, it is increasingly possible for the needy student in the public sector to meet his or her needs completely through grant resources and without recourse to debt or a job. On the other hand, in the private sector, where tuitions average $2300-$2400 and range up to $4000, institutions must require that their students both work and incur considerable debt in order to stretch limited grant funds. In my judgment, one of the fairest and most useful exchanges in federal student assistance would be for public institutions to agree to a refocusing of the Supplemental Grant program as a tuition related program primarily aiding students attending higher priced institutions, whether private or out-of-state public, in exchange for private support for the removal of the one-half cost of attendance limitation under the

Basic Grant program - a limitation that is only hurting low income students attending the lowest priced public institutions. Such a change in the Supplemental Grant program in particular would be of major help to private institutions struggling with a financial aid commitment that they are having increasing trouble meeting except by the self-defeating recourse to further tuition increases.

There is another sensible step in the area of student assistance which could be taken. It has long been a fact that private institutions have had a larger stake in graduate and professional education than in postsecondary education as a whole. As recently as 1971, the private sector graduated 43% of the medical doctors, 45% of the dentists, and 56% of the lawyers in the nation. Although the causes of financial distress among private institutions are numerous, a significant factor for the universities has been the abrupt decline in federal support for graduate and professional training. Federal fellowship support for graduate students has dropped from 50,000 students a decade ago to 18,500 today. It is ironic that this decline has come at a time when numerous disadvantaged and minority students, encouraged to attend colleges and universities in growing numbers since the late 1960s, wish to pursue graduate and professional training. Again the private sector has found it necessary to use its own resources to fill the gap. There is little question in my mind that a more consistent and far sighted federal support policy for graduate and professional education would be of major help to all of higher education, and

the private sector in particular.

There various steps with regard to educational capacity and student assistance would help to preserve a healthy private sector. But, as desirable as these steps are, in the final analysis, the answers to the problems of private institutions in the period ahead will be found not in the stars, or in Washington, but in the institutions themselves and in the fidelity and skill with which they fill their appointed purposes.

Before the private sector is counted out, or worse still, gives up by default, I would remind the skeptics that private institutions bring some notable strengths to the educational marketplace. Private institutions, almost uniformly, tend to be smaller than their counterparts. In fact, in 1972, the average enrollment at all private institutions was 1400 compared to approximately 5000 in the public sector. In a buyer's market, smallness could be a strength, if it is viewed as synonymous with concern for the individual student. Although the post baccalaureate market may be different, the work of David Breneman in graduate education already suggests that students exhibit a decided preference for quality. To the extent that private institutions provide quality education and continue to expend more per student than public institutions, private enrollments may hold up better than we expect.

There may even be a silver lining in the demographics about which higher education worries so much. The total

fertility rate, or the number of births a typical woman would have in her reproductive lifetime has dropped from almost 3.8 in 1957 to 1.9 in 1974. During the 1980s and beyond we are increasingly going to be dealing with a market of families with one and two children, and not the three and four children families of the 1960s and early 1970s. Since families and not students, purchase higher education, the fact that family resources available for education will be spread over fewer children may make a private education a possibility for many middle income families for whom lower priced public institutions are the only alternative today.

A final important factor has to do with the pattern of support to private higher education. Over the past 25 years, although the growth of the public sector has overshadowed private efforts, substantial private resources have been invested in expansion, and particularly in plant and equipment. In the public sector, now that the expansion period is over, capital funds tend not to become available for operating purposes. In the private sector, on the other hand, there exists the important possibility that philanthropy that has been devoted so much to bricks and mortar since World War II, can now be devoted to a greater degree to endowment and the support of operating needs. Over the past few years, private endowments have been eroded by adverse securities markets, by inflation, and the necessity to spread endowment and gift income over more students. As a result, the purchasing

power of endowment per student in the private sector may be less today than at any other time since the Depression. In the period ahead, however, private gifts will neither be diluted by increased enrollments nor diverted into physical expansion. Thus, there is good reason to believe that slowly, but surely the financial underpinnings of private higher education will get stronger, not weaker.

All this is to suggest that in the period of adjustment ahead, the competitive advantages do not completely lie with one sector or the other. Public institutions are usually not allowed to operate at a deficit and there is no reason to believe that state legislatures will choose to appropriate funds to operate expensive institutions if students do not choose to fill them. Thus, public capacity and public enrollment could be in for as difficult a period of adjustment, from a much larger base, as the private sector.

We can and should take these various steps I have mentioned to help the private sector to compete, but ultimately the well being of private institutions will depend upon the institutions themselves. As a New Englander who spends considerable time visiting the private institutions in that part of the country, I cannot help but marvel that for over two centuries when New England has seen numerous industries rise and fall, its most consistent and justly renowned product has been higher education. Through wars and depressions, and in boom time and bad, its private colleges and universities have grown and

prospered and have served the nation well. In the face of that history and the history of countless other private institutions throughout the United States, I find it difficult not to believe in the resiliency of that most hopeful of human institutions - the American college.